Prairie Provident Resources Announces Strong Second Quarter 2022 Financial and Operating Results

Calgary, Alberta – August 8, 2022 – Prairie Provident Resources Inc. ("Prairie Provident", "PPR" or the "Company") today announces our financial and operating results for the three and six months ended June 30, 2022. PPR's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2022 and related Management's Discussion and Analysis ("MD&A") for the same periods are available on our website at www.ppr.ca and filed on SEDAR.

MESSAGE TO SHAREHOLDERS

Tony Berthelet, President & Chief Executive Officer commented: "Q2 saw the continued growth in operating netback[1] again highlighting the cash generating potential of our low decline base production. We continue to unlock the Banff potential in Michichi through waterflood expansion, core flood work, and reservoir simulation. Recent core flood results suggest significant incremental secondary recovery potential in the approximately 350 million barrels of original oil in place on our high working interest acreage position."

Q2 2022 HIGHLIGHTS

- **Higher operating netback[1]:** Operating netback for Q2 2022 was $53.45/boe before realized loss on derivatives, an increase of $31.29 from Q2 2021. PPR generated cash flow of $20.8 million at the field level, representing a 136% increase from $8.8 million in Q2 2021. After realized derivative losses, PPR recognized $11.5 million ($29.52/boe) of operating netback compared to $6.5 million ($16.46/boe) in Q2 2021.
- **Improved adjusted funds flow[2]:** Adjusted funds flow for Q2 2022, excluding $0.3 million of decommissioning settlements, was $8.2 million ($0.06 per basic share and $0.05 per diluted share), a 91% or $3.9 million increase from Q2 2021. The increase in adjusted funds flow was primarily driven by improved operating netbacks.
- **Production:** Production during Q2 2022 averaged 4,269 boe/d (65% liquids), a 2% or 94 boe/d increase from Q1 2022. The increase was primarily driven by additional production from our Q1 2022 drilling program.
- **Net earnings:** Net earnings totaled $3.9 million for Q2 2022, compared to net earnings of $24.0 million for Q2 2021. The decrease in net earnings was primarily driven by a $35.0 million impairment reversal recognized in Q2 2021 related to our Evi and Princess cash generating units as a result of significant increases in forecast benchmark commodity prices.
- **Net debt[3]:** Net debt as of June 30, 2022 totaled $127.4 million, a decrease of $0.7 million from March 31, 2022 primarily due to increased working capital[4] partially offset by deferred interest.
- **Refinancing:** During the second quarter of 2022 the Company undertook a process to examine options for refinancing its outstanding debt. The Company will announce any material developments arising from the process as required.
- **Michichi waterflood update:** The Company recently received core flood results from two Banff rock types which resulted in waterflood recovery of approximately 28-33% of original oil in place. This

1 "Operating Netback" is a non-IFRS measure (see "Non-IFRS Measures" below),
2 "Adjusted Funds Flow" is a non-IFRS measure (see "Non-IFRS Measures" below).
3 "Net Debt" is a non-IFRS measure (see "Non-IFRS Measures" below).
4 "Working Capital" is a non-IFRS measure (see Non-IFRS Measures" below).

represents a significant increase to the primary recovery of 6.5% that PPR currently expects from the Banff development. These core flood results highlight the waterflood potential. The Company is currently history matching an 8 section sector reservoir model to assist with waterflood design and development.

OUTLOOK

For the second half of 2022, we expect to focus our efforts on reactivations, recompletions and optimization projects while following up on our successful 2021 drilling program in the Princess area, by drilling one (1.0 net) Glauconite formation well. Prairie Provident's 2022 guidance estimates remain unchanged from those presented in the Company's news releases dated June 12 and February 22, 2022. Additional details on Prairie Provident's 2022 capital program and guidance can be found on the Company's website at www.ppr.ca.

FINANCIAL AND OPERATING SUMMARY

	Three Months Ended		Six months ended	
($000s except per unit amounts)	**June 30, 2022**	June 30, 2021	**June 30, 2021**	June 30, 2020
Production Volumes				
Light & medium crude oil (bbl/d)	**2,055**	2,514	**1,933**	2,483
Heavy crude oil (bbl/d)	**590**	179	**690**	149
Conventional natural gas (Mcf/d)	**8,987**	9,122	**8,875**	8,680
Natural gas liquids (bbl/d)	**126**	140	**120**	135
Total (boe/d)	**4,269**	4,354	**4,222**	4,213
% Liquids	**65%**	65%	**65%**	66%
Average Realized Prices				
Light & medium crude oil ($/bbl)	**130.03**	71.00	**123.82**	65.78
Heavy crude oil ($/bbl)	**119.07**	63.72	**96.98**	58.70
Conventional natural gas ($/Mcf)	**7.85**	2.81	**6.37**	3.13
Natural gas liquids ($/bbl)	**88.87**	50.55	**85.54**	47.64
Total ($/boe)	**98.19**	51.13	**88.35**	48.82
Operating Netback ($/boe)[1]				
Realized price	**98.19**	51.13	**88.35**	48.82
Royalties	**(15.93)**	(5.87)	**(12.78)**	(4.65)
Operating costs	**(28.81)**	(23.10)	**(27.83)**	(24.88)
Operating netback	**53.45**	22.16	**47.74**	19.29
Realized losses on derivatives	**(23.93)**	(5.70)	**(19.43)**	(4.37)
Operating netback, after realized losses on derivatives	**29.52**	16.46	**28.31**	14.92

1 Operating netback is a non-IFRS measure (see "Non-IFRS Measures" below).

Capital Structure ($000s)	**June 30, 2022**	December 31, 2021
Working capital[1]	**4.0**	(0.4)
Borrowings outstanding (principal plus deferred interest)	**(131.4)**	(124.0)
Total net debt[2]	**(127.4)**	(124.3)
Debt capacity[3]	**3.7**	14.3
Common shares outstanding (in millions)	**129.7**	128.7

1 Working capital is a non-IFRS measure (see "Non-IFRS Measures" below) calculated as current assets less current portion of derivative instruments, minus accounts payable and accrued liabilities.
2 Net debt is a non-IFRS measure (see "Non-IFRS Measures" below), calculated by adding working capital and long-term debt.
3 Debt capacity reflects the undrawn capacity of the Company's revolving facility of USD$53.8 million at June 30, 2022 and December 31, 2021, converted at an exchange rate of $1.00 USD to $1.29 CAD on June 30, 2022 and $1.00 USD to $1.27 CAD on December 31, 2021.

ABOUT PRAIRIE PROVIDENT

Prairie Provident is a Calgary-based company engaged in the exploration and development of oil and natural gas properties in Alberta. The Company's strategy is to optimize cash flow from our existing assets, grow a base waterflood business in Evi (Slave Point Formation) and Michichi (Banff Formation) providing stable low decline cash flow, and use those funds to improve the balance sheet and manage liabilities. The Princess area in Southern Alberta continues to provide short cycle returns through successful development of the Glauconite and Ellerslie Formations.

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Forward-Looking Statements

This news release contains certain statements ("forward-looking statements") that constitute forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking statements relate to future performance, events or circumstances, are based upon internal assumptions, plans, intentions, expectations and beliefs, and are subject to risks and uncertainties that may cause actual results or events to differ materially from those indicated or suggested therein. All statements other than statements of current or historical fact constitute forward-looking statements. Forward-looking statements are typically, but not always, identified by words such as “anticipate”, “believe”, “expect”, “intend”, “plan”, “budget”, “forecast”, “target”, “estimate”, “propose”, “potential”, “project”, “continue”, “may”, “will”, “should” or similar words suggesting future outcomes or events or statements regarding an outlook.

Without limiting the foregoing, this news release contains forward-looking statements pertaining to: (i) the suggestion that recent core flood results suggest significant incremental secondary recovery potential in the *approximately 350 million barrels of original oil in place on our high working interest acreage position (ii) the expectation that the refinancing process will contemplate options outside of traditional borrowing relationships including royalty transactions (iii) the expectation that the Company will provide further details with respect to the refinancing as they are finalized (iv) the suggestion that core flood results from Banff highlight the waterflood potential in core (v) the expectation that PPR will focus its efforts on reactivations, recompletions and optimization projects while following up on its successful 2021 drilling program in the Princess area, by drilling one (1.0 net) Glauconite formation well (vi) the expectation that the Glauc well will commence production in early September.*

Forward-looking statements are based on a number of material factors, expectations or assumptions of Prairie Provident which have been used to develop such statements but which may prove to be incorrect. Although the Company believes that the expectations and assumptions reflected in such forward-looking statements are reasonable, undue reliance should not be placed on forward-looking statements, which are inherently uncertain and depend upon the accuracy of such expectations and assumptions. Prairie Provident can give no assurance that the forward-looking statements contained herein will prove to be correct or that the expectations and assumptions upon which they are based will occur or be realized. Actual results or events will differ, and the differences may be material and adverse to the Company. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: that Prairie Provident will continue to conduct its operations in a manner consistent with past operations; results from drilling and development activities, and their consistency with past operations; the quality of the reservoirs in which Prairie Provident operates and continued performance from existing wells (including with respect to production profile, decline rate and product type mix); the continued and timely development of infrastructure in areas of new production; the accuracy of the estimates of Prairie Provident's reserves volumes; future commodity prices; future operating and other costs; future USD/CAD exchange rates; future interest rates; continued availability of external financing and cash flow to fund Prairie Provident's current and future plans and expenditures, with external financing on acceptable terms; the impact of competition; the general stability of the economic and political environment in which Prairie Provident operates; the general continuance of current industry conditions; the timely receipt of any required regulatory approvals; the ability of Prairie Provident to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which Prairie Provident has an interest in to operate the field in a safe, efficient and effective manner; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and expansion and the ability of Prairie Provident to secure adequate product transportation; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which Prairie Provident operates; and the ability of Prairie Provident to successfully market its oil and natural gas products.

The forward-looking statements included in this news release are not guarantees of future performance or promises of future outcomes, and should not be relied upon. Such statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements including, without limitation: changes in realized commodity prices; changes in the demand for or supply of Prairie Provident's products; the early stage of development of some of the evaluated areas and zones; the potential for variation in the quality of the geologic formations targeted by Prairie Provident's operations; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Prairie Provident or by third party operators; increased debt levels or debt service requirements; inaccurate estimation of Prairie Provident's oil and gas reserves volumes; limited, unfavourable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and such other risks as may be detailed from time-to-time in Prairie Provident's public disclosure documents (including, without limitation, those risks identified in this news release and Prairie Provident's current Annual Information Form as filed with Canadian securities regulators and available from the SEDAR website (www.sedar.com) under Prairie Provident's issuer profile).

The forward-looking statements contained in this news release speak only as of the date of this news release, and Prairie Provident assumes no obligation to publicly update or revise them to reflect new events or circumstances, or otherwise, except as may be required pursuant to applicable laws. All forward-looking statements contained in this news release are expressly qualified by this cautionary statement.

Barrels of Oil Equivalent

The oil and gas industry commonly expresses production volumes and reserves on a "barrel of oil equivalent" basis ("boe") whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved analysis of results and comparisons with other industry participants. A boe conversion ratio of six thousand cubic feet to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead nor at the plant gate, which is where Prairie Provident sells its production volumes. Boes may therefore be a misleading measure, particularly if used in isolation. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency ratio of 6:1, utilizing a 6:1 conversion ratio may be misleading as an indication of value.

Non-IFRS Measures

The Company uses certain terms in this news release and within the MD&A that do not have a standardized or prescribed meaning under International Financial Reporting Standards (IFRS), and, accordingly these measurements may not be comparable with the calculation of similar measurements used by other companies. For a reconciliation of each non-IFRS measure to its nearest IFRS measure, please refer to the "Non-IFRS Measures" section in the MD&A. Non-IFRS measures are provided as supplementary information by which readers may wish to consider the Company's performance but should not be relied upon for comparative or investment purposes. The non-IFRS measures used in this news release are summarized as follows:

<u>Working Capital</u> – Working capital is calculated as current assets excluding the current portion of derivative instruments, less accounts payable and accrued liabilities. This measure is used to assist management and investors in understanding liquidity at a specific point in time. The current portion of derivatives instruments is excluded as management intends to hold derivative contracts through to maturity rather than realizing the value at a point in time through liquidation. The current portion of decommissioning expenditures is excluded as these costs are discretionary and warrant liabilities are excluded as it is a non-monetary liability. The current portion of long-term debt is excluded as it is reflected in borrowings. Lease liabilities have historically been excluded as they were not recorded on the balance sheet until the adoption of IFRS 16 – Leases on January 1, 2019.

<u>Net Debt</u> – Net debt is defined as borrowings outstanding under long-term debt plus working capital surplus. Net debt is commonly used in the oil and gas industry for assessing the liquidity of a company.

<u>Operating Netback</u> – Operating netback is a non-IFRS measure commonly used in the oil and gas industry. This measurement assists management and investors to evaluate the specific operating performance at the oil and gas lease level. Operating netbacks included in this news release were determined as oil and gas revenues less royalties less operating costs. Operating netback may be expressed in absolute dollar terms or a per unit basis. Per unit amounts are determined by dividing the absolute value by gross working interest production. Operating netback after gains or losses on derivative instruments, adjusts the operating netback for only realized gains and losses on derivative instruments.

<u>Adjusted Funds Flow (AFF)</u> – Adjusted funds flow is calculated based on cash flow from operating activities before changes in non-cash working capital, transaction costs, restructuring costs, and other non-recurring items. Management believes that such a measure provides an insightful assessment of PPR's operational

performance on a continuing basis by eliminating certain non-cash charges and charges that are non-recurring or discretionary, and utilizes the measure to assess the Company's ability to finance capital expenditures and debt repayments. AFF as presented does not and is not intended to represent cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. AFF per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of earnings per share.